

Art Gallery

COOKE GALLERY

4312 Main St.
Seattle, WA 98103

Gerald Rekve

Cooke Gallery will strive to sell superior quality, traditional artworks to tourists and local clients, while providing educational information, value, and excellent customer service as a profit- and growth-oriented business.

EXECUTIVE SUMMARY

Company History

Cooke Gallery was established in April 2007 with the goal of providing a place to sell local art from the rich tradition of the area. The owner, Mr. Harthow, is retiring and selling the gallery to long-time associate and friend Ms. Cooke. During the last few years, the gallery operation was focused more on limited edition art, and the sales numbers showed weakness. Ms. Cooke believes that a new approach with fresh, original art supplied by local artists will garner new interest from art lovers in the city and catapult sales into a new growth phase.

Cooke Gallery is a limited liability company operating in a beautiful 1,700 square foot traditional art gallery within the high tourism area of central Seattle; this area attracts thousands of tourists each day. Mr. Harthow, current owner of Cooke Gallery, wishes to sell the gallery to Dortehea Cooke who has been the gallery's manager for the past seven years.

Cooke Gallery has been operating since 2000 in the same central Seattle location, within a storefront facility. The interior has been renovated to suitably display high-quality local art works including gold and silver jewelry, carvings, prints, clothing, paintings, glass sculpture, and other art works. All merchandise has a standardized retail mark-up of 100 percent. The business has realized annual sales increases of approximately 19 percent since inception and anticipates similar sales increases to continue.

A new lease is being negotiated as part of the sale. The monthly rent will remain the same at \$700.00, and fair market triple net taking effect after the three years of operation. The new lease will also include a five-year renewable term provided by the building landlord.

Cooke Gallery currently employs one full-time employee, five part-time employees, and two seasonal employees. Ms. Cooke and her daughter will maintain their employment; however Dortehea will also try to employ and train as many people as she deems necessary and who are currently in the local art market.

CUSTOMERS

Cooke Gallery provides high-quality local art works at fair prices and is committed to providing high levels of customer service. This has resulted in a strong and loyal client base that includes repeat customers and has endeared them with the thousands of tourists who frequent central Seattle. Finally, Cooke Gallery is the only local art gallery owned in central Seattle with no direct competition in the region. The Cooke Gallery facility is in a location with many other businesses that suit the art gallery and will draw like clients to the store.

The primary client base for Cooke Gallery is made up of 80 percent tourists. According to *Seattle Tourism Journal*, tourists are primarily from within a 700 mile radius. Business in the area is continually growing at a rate of 11 percent per annum and this number is expected to increase as a result of even more attractions that have recently been added to the area or are in the planning stages. This is due in large part to the recently completed new highway bypass and the growing tourism economy within Seattle.

According to *Washington Statistics*, in 2005, the tourism sector contributed \$2.4 billion dollars (constant 2000 dollars) to the Seattle economy, a 3.2 percent increase from 1997. This was the strongest growth seen in the tourism industry since 1991. In addition, wholesale and retail trade realized a 3.1 percent growth in their contribution to tourism GDP, which has been positive for the past nine years.

The secondary client base for the gallery, or the remaining 20 percent, is local residents and repeat clientele. *Washington Statistics* reports that the population equals 190,010 with an average income of \$56,070.00.

FINANCIAL ANALYSIS

Start-up Expenses

Item	Cost
Purchase	\$100,000
Total required	\$100,000
Less owners equity	\$ 25,000
Bank loan	\$ 75,000
Total required	\$100,000

The purpose of the bank loan is detailed in the table below.

Purchase	\$100,000.00
Total required	\$ 25,000.00
Less owners equity	\$ 25,000.00
Total conventional financing required	\$ 75,000.00

Sales

The expected sales from the first three years of operations are shown below. These figures are based upon historical revenues for 2004–2006, with anticipated increases of 3 percent to 5 percent per annum.

Year 1	Year 2	Year 3
\$250,000	\$266,000	\$280,000

Monthly Start-Up Expenses

Rent	\$ 800
Advertising	\$ 2,000
Inventory	\$20,000
Accounting	\$ 500
Legal	\$ 1,000
Utilities	\$ 500
Store renovations	\$10,000
Signage	\$ 2,000
Office supplies	\$ 400
Office equipment	\$ 1,200
Payroll	\$ 4,500
Production materials	\$ 1,000
Auto	\$ 500
Travel and entertainment	\$ 2,000
Website development	\$ 2,000
Software	\$ 1,500
Retail supplies	\$ 500
Postage and mailing	\$ 1,000
Paint and other supplies	\$ 500
Total	\$51,900

The gallery will be structured as a corporation, with Dorthea Cooke having 100 percent ownership.

PRODUCTS

Cooke Gallery sells a diverse range of high-quality local art works to tourists, local clients and collectors at fair mark-up prices. The gallery’s largest pieces include oil paintings, large candles, masks, paintings and sculptures. The majority of the gallery space is devoted to smaller, more affordable pieces such as finely drawn watercolors, acrylics, and limited edition prints; the consistently high quality of these items ensures that tourists are encouraged to purchase anywhere from \$10 to \$5,000 items, without sacrificing either end of the potential market and its respective client groupings.

All products sold at Cooke Gallery are made on the West Coast, with 95 percent of the inventory coming from local artists and companies. The highest selling products are hand-carved silver jewelry (rings, bracelets, earrings, and pendants), prints for both watercolor and oil paintings, clothing, and gift items such as frames, vases, and framed art cards. Overall sales are broken down into the following nine categories, in order of revenue generated:

1. Miscellaneous small items
2. Jewelry
3. Clothing
4. Artwork
5. Carvings
6. Cards
7. Masks
8. Books
9. Music

Cooke Gallery also sells commissioned special order pieces for customers, local and abroad, and provides national and international shipping services to anywhere in the world. Following the gallery’s dedication to customer service policy, custom orders are commissioned with the client’s interests incorporated into the piece.

MISSION

To sell superior quality, traditional artworks to tourists and local clients, while providing educational information, value, and excellent customer service as a profit- and growth-oriented business.

MARKET ANALYSIS

The West Coast's artwork is a strong cultural component for Seattle's local art and has been developed for sale over many years. Within the last thirty years there has been a growing awareness and appreciation of people's art and history. The market in North America for traditional art, specifically Seattle local art, is growing steadily and has a long, proud, complex history. While traditions remain strong, innovations flourish among contemporary artists.

Currently, international recognition of, and appreciation for, the West Coast's cultural riches is at the forefront of the market's growth, with many opportunities for export within the well-established markets of Canada, Asia, Europe, South America and the Middle East. Cooke Gallery has planned for this growing market and has established a website, which will continue to be refined to develop this opportunity further.

Success Factors

Cooke Gallery has a strong and proven history of success, based upon strong management and customer service. The company has a unique market position with various competitors in the region, but it is the only traditionally-owned gallery in Seattle and is thriving in a growing tourism industry. The purchase of this business is based on the new owner's excellent understanding of how the business operates and desire to further develop of the business' cultural component.

Within the industry, retail galleries fall into the category of wholesale and retail trade; this sector realized a 3.3 percent growth in their contribution to tourism GDP in 2006 and has been positive for the past nine years. This is consistent with the strong tourism statistics, which according to *Washington Statistics* increased 3 percent from 2004 to 2005. This was the strongest growth seen in the tourism industry since 1995. Overall, Cooke Gallery has a proven formula for success that will continue to flourish and thrive under the new ownership of Ms. Dortehea Cooke and her continued management.

Competition

There are many indirect competitors in Seattle; however, traditionally-owned galleries in central Seattle are non-existent—thus the gallery has no direct competition.

MANAGEMENT SUMMARY

Ms. Cooke will continue as Gallery Manager. Ms. Cooke possesses seven years experience as Gallery Manager and is responsible for all aspects of operations including all inventory controls, purchasing, payroll, management of staff, sales training, and cultural education and training. Ms. Cooke possesses excellent interpersonal and organizational skills and is committed the highest quality customer service. Ms. Cooke is also dedicated to training the staff and educating her customers on the cultural aspects of each piece sold, and it is this level of customer service that is the basis of the business's success. Her management expertise will continue to provide the company a strong basis of operations while strengthening the cultural component of operations.

The company has a strong and dedicated staff of seven part-time and casual sales associates—each has worked with the gallery for several years. The staff has established a strong working relationship with the new owner and will continue working at the gallery in the same capacity.

The management and staff of the Cooke Gallery are committed to providing excellent customer service, based upon caring and respectful relationships. The current staff has been with Cooke Gallery for many years and is developing their knowledge and skills regularly. The staff's enjoyment for their work is passed on to the customers who come into the store. There is always a positive atmosphere in the gallery with the very friendly and helpful staff. As well as discussing the artwork and the native culture, they willingly help tourists find their way around and give travel advice.

OPERATIONS

The Cooke Gallery operates seven days a week from 9AM–5 PM. As a retail operation, there is a wide range of daily activities that include selling, buying, custom orders, inventory controls, marketing, customer relations and merchandising.

The manager of the gallery is responsible for all aspects of operations including customer relations, meeting with artists daily, buying artwork, inventory control, ordering special customer requests, and researching cultural information for staff and customers on different subjects. In addition, Ms. Cooke manages all financial transactions of day-to-day sales and accounts payable. Ms. Cooke will be responsible for the management of promotions, sales, cultural education, and marketing.

The staff is responsible primarily for customer service, conveying inventory needs, trends and requests. Strict adherence to ensuring a high level of customer service and dynamic inventory ensures that customers are well taken care of, receive fair value and return regularly. The golden rule is that visitors are given the best customer service and respect within Cooke Gallery, making it a fun place where customers can feel comfortable browsing while they gain background and knowledge about the artwork and culture of Seattle.

MARKETING & SALES

Cooke Gallery's overall market is based upon two primary client groups of tourists and local clients. Tourists to the region represent the first market, and the second is local clients from the central Seattle area.

Tourists want to take something home with them that represents the West Coast. Native art and its content have become the symbol of the West Coast. People connect with the different representation from their own experiences. Within this market *Washington Statistics* reported in 2006 that tourism is a strong and growing industry in Seattle. This is due in large part to the recently completed upgrades to the highway and the growing tourism economy within Washington. Further, the tourism sector GDP increased 3 percent from 2004. This was the strongest growth seen in the tourism industry since 1999. In addition, wholesale and retail trade realized a 3 percent growth in their contribution to tourism GDP, which has been positive for the past nine years.

Advertising

Cooke Gallery has adopted an aggressive marketing campaign that includes high quality business cards, brochures, regular mail outs of newsletters, periodical advertising, a comprehensive website, and charitable events. These marketing tools have been adopted over the last decade and have proven

ART GALLERY

successful for the gallery. Ms. Cooke will continue to evolve her marketing strategy based on customer feedback and the success of existing tools.

We will also focus our advertising dollars in the areas of tourism publications where the gallery will get the maximum exposure to the desired clients. For example, we will focus on bus and taxi advertising where the Cooke Gallery name will be in front of the driving traffic while they are in the city either as tourists or as business travellers.

Target Sales

All products are marked up 100 percent; layaway and custom order terms include a 50 percent deposit with the balance due upon delivery of the product. We will also investigate art placement as a way to drive higher revenue. This is where we rent the art to be placed in either business and/or city locations like hospitals, government buildings, and the like. This is not included in this plan but we will add this service once we get all the details on the business model.

Target sales are tracked monthly and are compared weekly and monthly against actual. Cooke Gallery anticipates sales increases of 10 percent for 2007–2008, with 5 percent per annum increases per month thereafter.

CONCLUSION

Business Feasibility

A detailed explanation of our strengths, weaknesses, opportunities, and threats is noted below. We feel our strengths and opportunities greatly outweigh our weaknesses and threats, leaving our business poised for success.

- Strengths:

- Our art will be of the higher scale, catering to clients who like art that is traditional. This market is strong and does not suffer the ups and downs of niche art.
 - Our art is organized and placed in visually appealing ways throughout the store
 - We have an excellent proven history and sales
 - We have a strong client base
 - We offer medium to high pricing
 - We have no direct competition
 - We boast an excellent central location
 - We have educated and loyal staff
- Weaknesses:

- Slow seasons. Management knows this and plans accordingly
- Opportunities:

- Enhance cultural training and activities
 - Enhance international sales through website marketing
 - Develop catalogue for international and corporate sales
- Threats:

- Downturns in tourism economy

Growth Strategy

Cooke Gallery has a long history as a successful art gallery and, with our tourism client base, we are assured of long-term success in the business. With the demographic boom in this area carrying on for the past 10 years, we are certain that this going to be a solid place for our business to be. In addition, the company operates with competition in the area that has no direct product similarities and has a high volume of vehicle traffic and two tourism seasons.

Future plans for Cooke Gallery include some major renovations to the facade and store displays. In addition, the company will continue to develop its advertising through magazines, newspapers, and the internet.